

The CEO Refresher

Managing for Eternity - How to Live Long and Prosper

by Tanya Sammut Bonnici

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Beating The Clock

Beating aging gracefully is an obsession of the human race. From the ephemeral fountain of youth, slowing the clock has turned into big business through health foods, cosmetics and miracle drugs. As the secrets of human longevity show some signs of being untangled, companies are starting to wonder what makes an organization survive and outlive its competitors. The debate has its roots in evolutionary economics which looks, in part, at Darwinism for answers. Interest in corporate longevity has been renewed by studies from Shell and Stanford University which aim to unfold the mysterious ingredients of survival.

Human and Corporate Survival

The average human life span has risen dramatically, from a life expectancy of 40 years at the beginning of the century to 75 years at the turn of the millennium. The human race learned what factors need to be monitored to increase longevity: a balanced diet, a higher level of hygiene, and a shift from the war-like ‘survival of the fittest’ concept, to peace-keeping through relationship building. Identifying the right measures has doubled the human life span in one century.

Company life expectancy may undergo a similar transformation. It will be a matter of time and an accumulation of collective experience until we master the optimal performance measurement required to set the course for corporate longevity.

The average life span of companies in Europe is 12 years. This may come as a surprise, considering that an important constituent of the world economy is largely based on enterprises which die before reaching their teenage years. A handful of companies will make it to the next century. Most will dissolve, or maybe their knowledge and assets will evolve into something else.

BPM and Beating the Clock

The current view of business performance measurement focuses on performance within the boundaries of our experience. The average life expectancy of Fortune 500 firms is from 40 to 50 years, which is equal to the active working life of an executive. A few corporations such as Shell, Stora and Sumitomo have survived for much longer. Examples like these suggest that most companies are not reaching the full potential of their natural life span. Could our current view of relatively short term performance be limiting corporate longevity?

Business Performance Measurement has evolved from being primarily financial to being more operation based. An even wider broader view, in terms of evolutionary science, may be on the horizon. The widening of measurement paradigms may be necessary to embrace corporate longevity.

Einstein, Darwin and Survival

It would be interesting to research the performance measures adopted by the older companies, in order to establish whether a shift in the measurement time frame would encourage longevity. Einstein said "Problems cannot be solved at the same

level of awareness that created them." A paradigm shift in corporate measurement may be required to push corporate performance beyond our conceptual time-frame.

Shades of Arie de Geus and Peter Senge, companies are living entities, not machines with people inside. They act like living organisms. They think, work and evolve just like the species on our planet. Shades of Darwinism come into play. Companies that have survived for a long time may have mastered the secrets of surviving the turbulent business environment. They manage for survival not profit. Their purpose is to fulfil their potential and perpetuate ongoing communities. Just like creatures aim for continuity through offspring. The more intelligent the species, the stronger its survival skills.

The question arises whether or not Performance Measurement Systems are mechanistic in their approach. Seeing the company as a machine implies that it is created by someone outside it, that it is owned and that it must be controllable by its operators. If the company is viewed as a living being it is liberated to act as an entity which evolves in its own right.

Entrepreneurship as Corporate Mutation

Another basis for the survival debate is Entrepreneurship. Living organisms require genetic mutation in order to introduce new capabilities for survival. Could entrepreneurship be a source of corporate regeneration? Does entrepreneurship assist companies to respond to new challenges, just like innovation in genetic structure assists living organisms to cope with new environments? If so could entrepreneurship be used as an indicator for long term survival?

Be Predictable to Survive

Another theory which is creeping in on the survival debate is Predictability. Be predictable in your actions and you will survive. The concept balks CEOs around the globe. In the last couple of decades we were lead to believe that change, innovation, and the element of surprise are the name of the game. Stevenson, a Harvard academic, is now telling us that behaving in a predictable, consistent way enhances survival. Stick to the knitting, do what you do best, and build on it. Stevenson shows how the need to predict and shape the future drives most of human behaviour. He sees predictability as a requisite for survival of the species, and extrapolates the idea to organizations. The company that embraces predictability enhances its own effectiveness, or so the theory goes. Unfortunately the concept is backed by conjecture and lacks research.

Secrets of Success as Fuzzy Variables

Another aspect of the research on corporate survival looks at efforts to establish measurement of subjective performance indicators, such as those present in complex systems. Complexity theory may pose some challenges to the traditional performance measures. It implies that some of the more important elements of evolution, analogous to corporate growth, are attributed to 'fuzzy' variables. An example would be the notion that the whole is greater than the sum of the parts in a complex system. A flock of birds can achieve more than a bird flying solo. It is difficult to explain, and even more difficult to measure. Does this mean that performance measurement is unable to capture the more vital proponents of success? Complexity theory looks at these components in ways that are organic, non linear and holistic. It may take a while before the discipline of performance measurement evolves sufficiently to handle the ambiguity present in thriving complex systems.

Is longevity a sign of optimal performance or is it merely an indication of endurance in a sub-optimal state? Are the truly successful organizations the ones that metamorphose and evolve into new corporate forms, just like an organism would change to survive in its habitat?

About the author:

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